



## **BEWARE COSTLY NEW TAX ON WOOD**

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*[Publisher's Note: As part of an ongoing effort to bring original, thoughtful commentary to you here at the FlashReport, I am pleased to present this column from Board of Equalization Member Michelle Steel. - Flash]*

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We've all heard about the gimmicks in Gov. Brown's budget, but his new tax on lumber has largely been ignored. This new tax could strike another blow against California's crippled housing industry, and increase prices on wood products.

According to Brown's revised budget, "The new assessment will be applied to retail sales of certain wood products sold in California and will be collected by the Board of Equalization." This new tax will affect at least 60,000 retailers, according to the Board of Equalization (BOE), and hurt an untold number of Californians looking to buy wood products.

Although BOE staff is working with the administration to provide a definition of "wood products," the term is currently unclear and open to endless possibilities.

California already charges a 2.9 percent tax on timber, when it is harvested, in addition to sales tax on all retail sales of lumber, and on retail sales of consumer products containing wood: everything from furniture to tools with wooden handles.

Not only will an additional tax be double — or triple — taxation, it will also make it more expensive to build in California. Our housing market, which is only beginning to show signs of improvement, will take yet another hit.

If lumber in furniture and other products is included for taxation, prices for countless goods will increase. And so will confusion for regulators and taxpayers, as they work to figure out how to apply the tax to different types of wood products. How will a two-by-four be taxed compared with a Lincoln Log?

The new tax is expected to raise \$30 million annually, but that revenue won't go to the general fund or to debt payments. According to the revised budget, lumber tax revenue will go to support the regulatory activities of the Departments of

Forestry and Fire Protection, Fish and Game, Conservation, and the State Water Resources Control Board related to Timber Harvest Plan review.

California's forest practice regulations are the most restrictive of any state in the nation. Regulatory compliance costs California forest-landowners more than 10 times what it costs similar companies in Oregon and Washington. According to a recent Cal Poly San Luis Obispo study, "California's regulatory environment is having the unintended consequences of harming forest health," by making it so difficult to manage timberland that owners are selling their land to housing developers.

Excessive environmental regulations are turning our forests into suburbs. Yet, instead of saving tax dollars by reducing regulation, the governor has chosen to compound the problem by increasing the funding of an inefficient regulatory program.

Today, between 70 and 80 percent of the lumber bought in California is imported from other states. Supporters of this new tax argue that it will relieve some of the regulatory cost on in-state producers by spreading it to out-of-state timber operations. Yet, in the end, the cost will still be borne by taxpayers every time we buy a wood product.

This new tax will increase confusion and even anger from taxpayers who will not know what is or is not included as a "wood product" for tax purposes. It will only increase costs for Californians who are already taxed out. It won't fix our deficit, or shrink our bloated government — it will do the opposite.

We need to get our fiscal house in order, not increase taxes on the wood we used to build it.